APPENDIX C
Examples Of Organizational Structures
Disclaimer: Scenarios are provided solely as suggestions and applicants should seek professional legal and tax guidance based on their unique circumstances.

Scenarios 1: Network is producing a qualified production. Network hires a production services Company 'XYZ,' an unaffiliated third-party contractor, to produce the content for the production. 'XYZ' will employ all the hires, make all the necessary purchases, and likely manage the compliance portion for the Network. XYZ company would not have any affiliation with Network other than a production services agreement to create the content.

Network is the Applicant and Taxpayer applying for the exemption and credits. Network applies and receives the best interest determination for qualified production, sales/use tax exemption, and franchise/excise tax credit.

Network is the taxpayer who can claim the franchise and excise tax credit for qualified payroll expenses of qualified positions. Qualified positions claimed by Network may be employees of, or independent contractors hired by, XYZ.

XYZ files an application for sales/use tax exemption as a third party. Subcontractors of XYZ may also file applications for sales/use tax exemption if they will also be purchasing tangible personal property, computer software, or services that are necessary to and primarily used for the qualified production.

Scenario 2: Media Company is an affiliate of Production Company and wishes to benefit from the tax credit. Production Company is the entity responsible for producing the qualified production. Media Company is not involved in the production except for being an affiliate of the Production Company. Production Company will employ/document all hires, make all necessary purchases, and manage compliance.

Production Company is the Applicant and Taxpayer applying for the exemption and credits. Production Company applies and receives the best interest determination for the qualified production, sales/use tax exemption, and franchise/excise tax credit.

For Media Company to be eligible to claim any franchise and excise tax credit, Production Company must also be registered for franchise and excise taxes and Production Company must request approval to file a combined return with Media Company as part of its application package. If approved, the credit can be claimed on the combined filing of the two affiliates.

Scenario 2. a: Media Company is an affiliate of Production Company A and wishes to benefit from the tax credit. Production Company A is an affiliate of Media Company and is responsible for producing the content of the qualified production. Media Company is not involved in the production except for being an affiliate of Production Company A. Production Company A hires Production Company B to produce the content on its behalf. Production Company B is an unrelated third party. Production Company B will employ all the hires, make all the necessary purchases, and manage the compliance.

Production Company A is the Applicant and Taxpayer applying for the exemption and credits. Production Company B is a contractor hired to do the qualified production on behalf of Production Company A. Production Company A applies as the taxpayer and receives the best interest determination for the qualified production, sales/use tax exemption, and franchise/excise tax credit.

Production Company A is the taxpayer who can claim the franchise and excise tax credit for qualified payroll expenses of qualified positions. Qualified positions claimed by Production Company A may be employees of, or independent contractors hired by Production Company B.

Production Company B files an application for the sales/use tax exemption as a third party. Subcontractors of Production Company B may also file applications for the sales/use tax exemption if they will also be purchasing tangible personal property, computer software, or services that are necessary to and primarily used for the qualified production.

For Media Company to be eligible to claim any franchise and excise tax credit, Production Company A must also be registered for franchise and excise taxes and Production Company A must request approval to file a combined return with the Media Company as part of its application package. If approved, credit can be claimed on the combined filing of the two affiliates.

Scenario 3: Media Company is the affiliate of Production Company. Production Company is classified for franchise and excise tax purposes as a corporation. Production Company forms a single member limited liability company known as a "Special Production Vehicle" (SPV). The "SPV" is disregarded to Production Company for franchise and excise tax purposes; as a disregarded entity, "SPV" is treated as a division of Production Company. The "SPV" is responsible for producing the content of the qualified production. "SPV" would employ all the hires, make all the necessary purchases and likely manage the compliance portion for the Production Company.

Since "SPV" is a disregarded entity for Tennessee tax purposes, Production Company is the Applicant and Taxpayer applying for the exemption and credits.

For Media Company to be eligible to claim any franchise and excise tax credit, Production Company must also be registered for franchise and excise taxes and Production Company must request approval to file combined with the Media Company as part of its application package. If approved, the credit can be claimed on the combined filing of the two affiliates. "SPV" does not file a separate franchise and excise tax return, because it is disregarded to Production Company; instead, “SPV” is included on the return of Production Company.

Scenario 3.a: Media Company is the affiliate of Production Company. Production Company is classified for franchise and excise tax purposes as a corporation. Production Company forms a single member limited liability company known as a “Special Production Vehicle” (SPV). The “SPV” is disregarded to Production Company for franchise and excise tax purposes; as a disregarded entity, “SPV” is treated as a division of Production Company.

The “SPV” would be responsible for producing the content for the qualified production. Media Company has no connection with the qualified production other than being an affiliate of Production Company. “SPV” hires Production Company XYZ to produce content as a third party. Production Company XYZ will employ all the hires, make all the necessary purchases. The Production Company XYZ would not have any affiliation with “SPV” other than a production services agreement to create the content.

Since “SPV” is a disregarded entity for Tennessee tax purposes, Production Company is the Applicant and Taxpayer applying for the exemption and credits.

Production Company is the taxpayer who can claim the franchise and excise tax credit for qualified payroll expenses of qualified positions. Qualified positions may be employees of, or independent contractors hired by, Production Company XYZ.

Production Company XYZ files application for the sales/use tax exemption as a third party. Subcontractors of XYZ may also file applications for sales/use tax exemption if they will also be purchasing tangible personal property, computer software, or services that are necessary to and primarily used for the qualified production.

For Media Company to be eligible to claim any franchise and excise tax credit, Production Company must also be registered for franchise and excise taxes and Production Company must request approval to file combined with the Media Company as part of its application package. If approved, credit can be claimed on the combined filing of the two affiliates. ”SPV” does not file a separate franchise and excise tax return, because it is disregarded to Production Company; instead, “SPV” is included on the return of Production Company.

Scenario 4: Media Company is the affiliate of Production Company. Production Company is in a co-production deal with ‘EFG Productions’, which is not an affiliate, and they have formed a Special Production Vehicle (“SPV”) to house this specific film/TV project. ‘SPV’ would employ all the hires, make all the necessary purchases, and likely manage the compliance portions. SPV is not a disregarded entity for franchise and excise tax purposes because it has more than one owner.

SPV is the Applicant and Taxpayer applying for the exemption and credits. SPV claims the franchise and excise tax credit for qualified payroll expenses of qualified positions. Qualified positions may be employees of, or independent contractors hired by SPV.

If Production Company or EFG directly or indirectly has more than 50% ownership in SPV (i.e., is an affiliate for franchise and excise tax purposes), SPV may request combined filing with the more than 50% owner as part of its application package. If combined filing is approved for purposes of claiming all or part of the credit, the credit may be claimed on the combined filing of the two affiliates.

EFG files an application for sales/use tax exemption as a third party. Subcontractors of EFG may also file applications for sales/use tax exemption if they will also be purchasing tangible personal property, computer software, or services that are necessary to and primarily used for the qualified production.